

Message Text

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DEPARTMENT PASS TREASURY DEPARTMENT FOR SYVRUD

E.O. 11652: N/A

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SUBJECT: FINANCE MINISTER DISCUSSES PUBLIC SECTOR
DEFICITS AND THE FOREIGN DEBT

BEGIN UNCLASSIFIED.

1. ON SEPTEMBER 24 GOP SWORE IN NEW COMMISSION TO STUDY BASIC
REVISION OF PORTUGUESE TAX STRUCTURE, AND ESPECIALLY ESTABLISH-
MENT OF SINGLE INCOME TAX SYSTEM. DURING CEREMONY, FINANCE
MINISTER MEDINA CARREIRA MADE FOLLOWING REMARKS:

A. 1976 PUBLIC SECTOR DEFICIT WILL EXCEED 90 BILLION
ESCUDOS (\$2.89 BILLION AT CURRENT RATE OF ESCUDOS 31.187/US\$).

THIS INCLUDES:

- 50 BILLION ESCUDOS (\$1.6 BILLION) TREASURY DEFICIT;
- 15-20 BILLION ESCUDOS (\$481-641 MILLION) OPERATING
DEFICIT FOR SUPPLY FUND AND SOCIAL SECURITY FUNDS (IN ADDITION
TO 9 BILLION ESCUDOS (\$289 MILLION) CAPITAL INFUSION FOR
SUPPLY FUND); AND
- MORE THAN 10 BILLION ESCUDOS (\$330 MILLION) IN

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DEFICITS OF PUBLIC ENTERPRISES.

B. GOVERNMENT-GUARANTEED LOANS IN 1976 WILL REACH 36-37 BILLION ESCUDOS (\$1.15-1.19 BILLION), OF WHICH 30 BILLION ESCUDOS (\$962 MILLION) COVERS INVESTMENTS AND CAPITAL INCREASES OF PUBLIC COMPANIES.

C. EXTERNAL DEBT CURRENTLY EXCEEDS 95 BILLION ESCUDOS (\$3.05 BILLION). IN 1976 DEBT SERVICE WILL EQUAL 15 PERCENT OF EXPORTS, RISING TO 17-19 PERCENT IN 1977.

D. SINCE BEGINNING OF AUGUST THERE HAS BEEN NO LACK OF FOREIGN LOAN OFFERS. HOWEVER, FOREIGN DEBT MUST BE CONTRACTED CAUTIOUSLY AND USED FOR DEVELOPMENT, NOT CONSUMPTION. END UNCLASSIFIED, BEGIN LIMITED OFFICIAL USE.

2. COMMENT: FINANCE MINISTER'S BUDGET FIGURES SEEM TO EXAGGERATE SOMEWHAT PUBLIC SECTOR'S ANTICIPATED DEFICIT FOR THIS YEAR. REVISED GOP ESTIMATES OF THE 1976 BUDGET (SEE SEPTTEL) INDICATE TREASURY DEFICIT OF 46 BILLION ESCUDOS, RATHER THAN 50 BILLION ESCUDOS. IN ADDITION, HIS DATA INDICATE SUBSIDIES AND CAPITAL INPUTS OF APPROXIMATELY 15-18 BILLION FOR THE SUPPLY FUND. SUCH AN AMOUNT WOULD BE CONSIDERABLY LARGER THAN WHAT HAD BEEN MAINTAINED IN THE PAST. MINISTER MAY, IN EFFECT, BE PREPARING PUBLIC FOR A VERY TIGHT 1977 BUDGET.

3. THE MINISTER'S ESTIMATE OF A TOTAL \$3 BILLION IN FOREIGN DEBTS SHOULD STILL BE TAKEN AS A TENTATIVE FIGURE. GOP CONTINUES ITS EFFORTS TO DETERMINE PRECISELY EXTENT OF PORTUGAL'S FOREIGN DEBT. THIS STATEMENT, HOWEVER, IS THE FIRST IN WHICH GOP OFFICIALS ADMIT THAT OBLIGATIONS HAVE SURPASSED \$3 BILLION.

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